

Informational Memorandum



August 26, 2009

To: Chairman, Board of Directors
Chief Executive Officer
All Farm Credit System Institutions

From: Thomas G. McKenzie, Director and Chief Examiner
Office of Examination

A handwritten signature in black ink that reads 'Thomas G. McKenzie'.

Subject: Annual Adjustment of Fee-Based Trigger for Additional Mortgage Loan
Disclosures

The purpose of the Informational Memorandum is to provide information regarding the disclosure requirements when rates and fees on home mortgage loans exceed the established trigger. Farm Credit System institutions should revise their procedures accordingly.

On August 10, 2009, the Federal Reserve Board (FRB) published its annual adjustment of the dollar amount of fees that trigger additional disclosure requirements under the Truth-in-Lending Act for home mortgage loans that bear rates or fees above a certain amount. The dollar amount of the fee-based trigger has been adjusted to \$579 for 2010 based on the annual percentage change reflected in the Consumer Price Index that was in effect on June 1, 2009. The adjustment is effective January 1, 2010. A link to the FRB's notice is provided below.

<http://www.federalreserve.gov/newsevents/press/bcreq/20090810a.htm>

This adjustment does not affect the new rules for "higher-priced mortgage loans" adopted by the FRB in July 2008. Coverage of mortgage loans under the July 2008 rules is determined using a different rate-based trigger.

In addition to the disclosure requirements, when the total points and fees payable by the consumer exceed the fee-based trigger or 8 percent of the total loan amount, whichever is larger, the Home Ownership and Equity Protection Act of 1994 restricts credit terms such as balloon payments and requires additional disclosures.

If you have any questions about this Informational Memorandum, please contact Jennifer A. Cohn, Senior Counsel, Office of General Counsel, at (703) 883-4028, or by e-mail at cohnj@fca.gov; and/or David Stephens, Office of Examination, at (703) 883-4412, or by e-mail at stephensd@fca.gov.